



STATE BOARD OF EQUALIZATION

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No. 96/40

July 3, 1996

TO COUNTY ASSESSORS:

PROPOSITION 193

On March 26, 1996, the voters of California passed Proposition 193. This proposition amends subdivision (h) of Section 2 of Article XIII A of the California Constitution, modifying the parent/child exclusion added by Proposition 58 on November 4, 1986. Subdivision (h) now reads (changes denoted by italics):

“(1) For purposes of subdivision (a), the terms ‘purchased’ and ‘change in ownership’ shall not include the purchase or transfer of the principal residence of the transferor in the case of a purchase or transfer between parents and their children, as defined by the Legislature, and the purchase or transfer of the first \$1,000,000 of the full cash value of all other real property between parents and their children, as defined by the Legislature. This subdivision shall apply to both voluntary transfers and transfers resulting from a court order or judicial decree.

“(2) (A) *Subject to subparagraph (B), commencing with purchases or transfers that occur on or after the date upon which the measure adding this paragraph becomes effective, the exclusion established by paragraph (1) also applies to a purchase or transfer of real property between grandparents and their grandchild or grandchildren, as defined by the Legislature, that otherwise qualifies under paragraph (1), if all of the parents of that grandchild or those grandchildren, who qualify as the children of the grandparents, are deceased as of the date of the purchase or transfer.*

“(B) *A purchase or transfer of a principal residence shall not be excluded pursuant to subparagraph (A) if the transferee grandchild or grandchildren also received a principal residence, or interest therein, through another purchase or transfer that was excludable pursuant to paragraph (1). The full cash value of any real property, other than a principal residence, that was transferred to the*

grandchild or grandchildren pursuant to a purchase or transfer that was excludable pursuant to paragraph (1), and the full cash value of a principal residence that fails to qualify for exclusion as a result of the preceding sentence, shall be included in applying, for purposes of subparagraph (A), the one million dollar (\$1,000,000) full cash value limit specified in paragraph (1)."

The effective date of this proposition was March 27, 1996. It is not retroactive. Subparagraph (2)(A) provides that this exclusion applies to "purchases or transfers that occur on or after the date upon which the measure adding this paragraph becomes effective." Thus, any grandparent/grandchild transfers that occur prior to this date do not qualify for the exclusion.

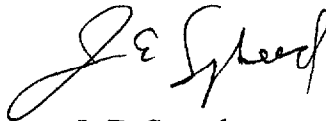
Subparagraph (2)(A) also requires definition by the Legislature--it is not self-enacting. Currently, there is no statutory authority to implement this proposition. At this time the Legislature is considering a bill (Senate Bill 1840, Revenue and Taxation Committee) that contains the definitions for Proposition 193.

Although you are not required to do so, we recommend that you retain all requests/claims for the exclusion until the defining legislation is enacted. When this occurs we will issue a comprehensive letter on the application of this exclusion and will produce the appropriate claim forms for its proper administration.

In the interim, you may grant the exclusion based on a particular set of facts if you conclude that all Proposition 193 requirements have been satisfied. While you may choose to use the Proposition 58 claim for this purpose, it is not intended to be the official form.

If you have any questions regarding Proposition 193, please contact our Real Property Technical Services Section at (916) 445-4982.

Sincerely,



J. E. Speed
Acting Deputy Director
Property Taxes Department

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